NAVITUS

Question from Senator Klobuchar

1. **How does a lack of competition from affordable generic drugs affect your company's ability to negotiate lower rates for payors and ultimately patients?**

   Lack of competition or lack of availability for generic or biosimilar drug options decreases Navitus' ability to move to a lower cost alternative in a timely manner which increases cost to patients and plan sponsors. Lack of competition in generics can also lead to shortages and problems with accessibility. Additionally, when manufacturers file patent lawsuits to delay the launch of a generic or biosimilar alternative, costs increase to patients and plan sponsors. For example, Enbrel was approved in 1998 with a biosimilar, Erelzi, approved in 2016. Yet ongoing litigation and settlements have precluded the biosimilar from launching until 2029. Enbrel sales in the US were $3.2B in 2024, assuming the biosimilar launches at an 80% discount, as seen with other recent biosimilar launches, the market is not able to achieve a potential $2.5B in savings for patients and plan sponsors without access to the biosimilar alternative.

   Navitus and Lumicera, its specialty pharmacy, have championed alternatives that seek to address generic and biosimilar pricing and availablity.

   Navitus Health Solutions is a founding member of CivicaScript, a nonprofit company created to bring affordable generic versions of common but high-priced prescription medicines to market. CivicaScript is a strategic extension of CivicaRx, a nonprofit pharmaceutical company founded in 2018 to address drug shortages and reduce the cost of essential hospital-administered medications. CivicaScript builds on CivicaRx's infrastructure and mission, but tailors its approach to reach consumers directly through retail and home-delivery pharmacies, working with PBMs, payers, and pharmacies to ensure savings from its low-cost medicines are passed on to consumers.

   Lumicera Health Services is a distribution partner for CivicaScript. Its cost-plus model is a natural extension of the CivicaScript mission, as it enables consumers to directly access savings from the lower acquisition cost product.

   Lumicera has distributed CivicaScript's first product, abiraterone acetate, since 2022. A report in the June 2025 issue of *The New England Journal of Medicine Catalyst* showed that consumers saved 64% when they switched to CivicaScript's abiraterone after taking other versions of the same generic drug. Payers, who generally bear a larger share of total medicine costs, saved 92% over previous spending.

CivicaScript also will distribute low-priced insulin, which will be manufactured by Civica out of its new factory in Petersburg, VA. When Civica first announced its plan in 2022 to enter the insulin market, it put pressure on the large manufacturers to lower their prices. Civica communicated a recommended price to the consumer of no more than $30 per insulin vial and no more than $55 for a box of five insulin pen cartridges -- a significant discount on average prices in the industry.

Another example of our innovation and focus to further affordability is the recently announced purchase agreement with Teva Pharmaceuticals to exclusively access a Stelara biosimilar. To promote cost savings and clinical care to patient and plan sponsors, Navitus clients that use Lumicera will be able to access for less than $1,000. This reflects a significant discount to the average product cost of $30,000 for the brand.

Questions from Senator Lee

1. **The largest PBMs use spread pricing for pharmacy reimbursement. These PBMs retain a portion of rebates, which do not flow to the end consumers. Why do benefits brokers and consultants continue to advise plan sponsor payer clients to use PBMs which utilize this strategy?**

   We cannot speak on behalf of all benefit brokers and consultants. However, as an industry, incentives are not always aligned to drive down drug cost over time. Without transparency to drug costs, negotiated discounts and rebates and administrative fees, it is difficult to fully assess the cost and value of a PBM service provider. In a spread model, a PBM is able to charge a lower administrative fee because of the revenue potential of paying the pharmacy less than they charge the plan, and the potential of revenue from drug cost mark-ups through an owned pharmacy. There is also potential to maintain a portion of rebates. A transparent, fully pass-through PBM will reflect the administrative fee as primary revenue source, and it will generally be higher than that of a spread-based PBM. Our recommendation is for the industry to define specific performance metrics that align incentives and place focus on the value a PBM partner should deliver. These should measure a PBM's effectiveness in controlling drug cost trend over time and may include measures such as biosimilar conversion rates, generic dispense rates, or other.

   Through the application of our pass-through, lowest-net-cost formulary management model, which eliminates spread pricing and rebate chasing, Navitus is able to help our clients achieve significant cost reductions. A few examples of this are below:

   - A health system in Ohio covering over 39,000 lives had a per member per month (PMPM) of $137 under their previous PBM. When they moved to Navitus in 2022, we were able to help them achieve a cost reduction of 16.4% on their PMPM, saving over $10.5 million in just their first year.
   - A software company in Utah that covers 3,000 lives had a baseline total net-cost of $67 PMPM before moving to Navitus. In their first year partnering with Navitus, their PMPM costs dropped to $45.27 achiving a cost reduction of 32.5% and saving the client over $800,000 in their first year alone.
   - A county government in Tennessee parterned with Navitus in 2025 and saved over $2.4 million in their first year when we were able to lower their PMPM from $175 to $133 - a 24.1% cost reduction.
   - A health network in West Virgina saved $13.4 million in their first year when they partnered with Navitus in 2023. Their previous PMPM was $222 with their former PBM and this dropped by 28.8% to just $157 under the Navitus PBM.

2. **What alternatives exist to the spread pricing model that would better benefit consumers?**

   We are the alternative.

   As the nation's first fully transparent, pass-through PBM, we prioritize:
   - Clinically appropriate prescribing, utilization and formulary management
   - Generic-first strategies and rapid adoption of biosimilars
   - Passing through 100% of negotiated rebates, pharmacy discounts, and fees to our clients

   By not engaging in spread pricing, we don't create or take margin from the rebates and discounts we negotiate or pharmacy network contracts we manage, nor do we inflate drug prices dispensed through our specialty pharmacy. Our clients have full access to their data. That means they can see exactly what they are paying for all the way down to the individual claim level.

   Clients trust our approach because of the transparency at every step along the way — from contracts and financial transactions to our business operations and outcomes.

3. **Benefits brokers and consultants receive compensation from the Big 3 PBMs when they recommend their products to clients. Does this practice increase the friction in the transaction and if so, would prohibiting PBMs from compensating benefits brokers who work for plan sponsor payers affect the competitive landscape between PBMs?**

   The year end health package included provisions that would require PBMs to disclosure compensation paid to brokers/consultants. We are supportive of this transparency. Some clients prefer that the cost of the consultant be included in the overall PBM charges, while others prefer to pay directly. Either way, it is important that the plan sponsor know of this practice and actively choose how to handle compensation to the broker/consultant. If a plan sponsor is unaware that their advisor is being compensated by the PBM in addition to the compensation the plan sponsor is already paying, they may wonder whether the recommendations provided are solely in the best interest of the beneficiaries and whether they have fully performed their fiduciary duties as a plan sponsor.

4. **How has recent vertical integration between PBMs and insurers affected competition, pricing, and access to generics and biosimilars?**

   Not all integration is bad. For example, Lumicera, Navitus' cost-plus specialty pharmacy, is the result of Navitus' mission to lower drug costs while providing superior care. Unlike other specialty pharmacies whose revenue is derived as a percentage of the drug cost, Lumicera is paid through a disclosed and fixed patient management fee. When a prescription is filled at Lumicera, Lumicera bills the health plan the acquisition cost of the drug plus the patient management fee and shipping. Lumicera is motivated to provide quality health care and support the patient rather than steer the patient to higher cost brand names.

Lumicera carries on Navitus' mission through their contracting practices trying to achieve lowest net cost of drugs and using not-for-profit drug manufacturers like CivicaScript to achieve the greatest savings.

Instead of banning integration, we recommend the following:

- Require disclosure of relationship between the insurer, PBM and/or pharmacy;
- An insurer or PBM may not require a health plan to use their affiliated entities; and
- A PBM/insurer may not penalize a health plan or plan sponsor if it chooses to utilize an unaffiliated PBM, pharmacy or network of providers for a set of services.

5. To what extent do major insurers—parent companies of the vertically integrated PBMs—permit independent PBMs to collaborate with their in-house third-party administrators (TPAs) and provider networks? What fees are imposed in these instances? Are you aware of instances where a PBM's parent insurer prohibits such arrangements?

Some larger insurers assess "data exchange fee," restricting contract language/requirements/roadblocks or other administrative charges so that the PBM can communicate with the insurer concerning deductible, copay, etc. The large insurers/PBMs also charge a fee for favoring or adding non-affiliated pharmacies or pharmacy networks. Often these fees overshadow any savings achieved by using an unaffiliated PBM. We believe that affiliated entities can add value, but they MUST add value. Each entity must stand on its own. Navitus never requires the use of Lumicera, our affiliated cost-plus pass-through specialty pharmacy. It is always the clients choice. Nor do we penalize a client if they choose to use a different specialty pharmacy. As mentioned previously, we believe disclosure, choice and prohibiting financial punishment to a plan if they use a different PBM or pharmacy is a way to counteract anti-competitive practices.